

OFFICE OF
APPELLATE COURTS

JUL 31 2000

FILED

CO-85-2205

**ANNUAL REPORT
OF THE
MINNESOTA
CLIENT SECURITY BOARD**

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July 2000

MINNESOTA CLIENT SECURITY BOARD

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BEVERLY K. MCKINNELL
JUDITH A. PINKE
WARREN R. SAGSTUEN
MARGARET J. WESTIN

EDWARD J. CLEARY
DIRECTOR

MARTIN A. COLE
ASSISTANT DIRECTOR

TIMOTHY M. BURKE
ASSISTANT DIRECTOR

July 31, 2000

OFFICE OF
APPELLATE COURTS
JUL 31 2000
FILED

Clerk of Appellate Courts
Suite 305
25 Constitution Avenue
St. Paul, MN 55155

Re: Client Security Board Annual Report

Dear Clerk:

Enclosed for filing are thirteen copies of the Annual Report of the Minnesota Client Security Board.

The Board approved the report at its June 27, 2000, meeting.

Sincerely yours,



Edward J. Cleary
Director

:jd

cc: Honorable Edward Stringer (no enclosure)

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I. OVERVIEW AND YEAR IN REVIEW

Rule 1.10, Minnesota Rules of the Client Security Board (MRCSB), provides:

At least once a year and at such other times as the Supreme Court may order, the Board shall file with the Court a written report reviewing in detail the administration of the fund, its operation, its assets and liabilities.

This thirteenth annual report of the Minnesota Client Security Board covers the Board's fiscal year, FY 2000, which began July 1, 1999, and ended on June 30, 2000.

For the second consecutive year, subrogation and restitution issues highlight this year's report. Last year (FY1999), the Board reported a record dollar-amount of restitution recovery. That result largely was due to recovery on one matter for which the Board received a substantial repayment. This past year, on the other hand, the Board spent a considerably greater percentage of its time than ever before dealing with collection efforts against lawyers, on whose behalf the Board had paid claims. In particular, the Board spent portions of several meetings reviewing complex issues involving potentially liable third parties, such as banks or insurers. While routine and recurring restitution matters are handled by the Attorney General's Office subject to review by the Board or the Director, many of these third-party issues arose for the first time in Board history, requiring the full Board's involvement. Ultimately the Board created a new subcommittee specifically to deal with subrogation and litigation matters between full Board meetings. Several settlements with banks were the end result of this process, resulting in a total restitution recovery for the Board this past year of over \$45,000.

After its sixth and final meeting of the year in June 2000, the Board had approved 21 claims this year against 11 former attorneys in the total amount of \$282,186.67.¹ In addition, \$200,000 was paid during this fiscal year on two claims against disbarred attorney Peter Orlins, claims approved last year which could not be paid until special trustee arrangements were completed on the claimants' behalf. In the thirteen years of the Board's operation, the Board now has approved 304 claims and paid out \$3,804,428.35 against 88 different lawyers (Appendix 2; A. 3-6). Twenty-three (23) claims will still be pending before the Board following its June meeting; only six of which will have been pending more than six months.

II. THE CLIENT SECURITY BOARD AND ITS PROCEDURES

Board Members. As of June 30, 2000, the following individuals served on the Board (*see* Appendix 4; A. 8):

<u>Name</u>	<u>Location</u>	<u>Term Expires</u>
Daniel L. Bowles, Chair	Edina	June 30, 2000
Richard I. Diamond	Minnetonka	June 30, 2000
Timothy J. Kuntz	South St. Paul	June 30, 2002
Beverly K. McKinnell	St. Paul	June 30, 2002
Judith A. Pinke	Minneapolis	June 30, 2001
Daniel L. Rust	Crookston	June 30, 2001
Margaret J. Westin	Minneapolis	June 30, 2002

¹ Claims were paid against the following attorneys in the following amounts:

Glenn L. Smith - 1 claim	\$100,000
Gerald "Jay" McNabb - 7 claims	86,113
Michael G. Singer - 1 claim	63,000
Donald A. Wheat - 1 claim	12,842
Helen A. Dovolis - 2 claims	8,910
Dennis L. Palm - 1 claim	3,200
Dyan L. Campbell - 4 claims	2,815
Stanley J. Leino - 1 claim	1,807
George C. Ramler - 1 claim	1,500
Gregory A. Carpenter - 1 claim	1,000
Thomas J. Bieter - 1 claim	1,000

Daniel Bowles was elected and served as the Board's Chair for the past year, but has completed his second and final complete term on the Board. Mr. Bowles has a long history of involvement in the client protection system in Minnesota, and his expertise and consensus-building skills will be missed. His business and banking law knowledge has proven particularly useful in unraveling several claims, and in guiding the Board on some of its thorny subrogation actions.

The Board elected Daniel Rust as its new Chair for the upcoming year at its most recent meeting. Mr. Rust is a partner in a law firm in Crookston and has served on the Board for five years.

Minneapolis attorney Warren Sagstuen, an assistant public defender for Hennepin County, was nominated by the Minnesota State Bar Association (MSBA) to fill Mr. Bowles' seat on the Board. The Supreme Court approved the appointment by order dated May 22, 2000. Mr. Sagstuen should bring an additional public lawyer perspective to the Board and also a criminal defense perspective that has not previously been part of the Board's composition.

Board member Richard Diamond's term also expired at the end of June. He was eligible to be reappointed by the Court to a second term on the Board, which occurred by order dated May 22, 2000. Mr. Rust and Ms. Westin, along with Mr. Sagstuen, are MSBA nominees to the Board. Ms. McKinnell and Judith Pinke are the Board's two non-lawyer members.

Justice Edward Stringer remains the Board's liaison justice on the Supreme Court. He again this year attended parts of several Board meetings and provides regular communication with the Board from the Court.

Funding and Budget Procedures. The Supreme Court's May 22, 1998, order implementing the current assessment created parameters for the fund of \$2.5-million and \$1.5-million, with the Board to report to the Court if the fund exceeds or

drops below these figures. The Board's recently filed budget for FY 2001 projects a year-end balance of \$2.04-million for June 30, 2001, well within these parameters, but only so on the assumption that the Court will retain the current funding mechanism and amount. The Court just recently amended the attorney registration fee, in part creating the new Lawyer Assistance Program, but the Client Security Board's portion of the fee was not changed. Basically, all active lawyers in Minnesota pay \$17 per year to support the Fund.

The Board does not handle any funds directly nor the investment of the Fund. The assessment is collected through the Office of Attorney Registration and placed into a segregated fund within the State Treasury. This past year the assessment generated approximately \$316,000. The Board also received approximately \$96,000 in investment income and approximately \$45,000 in restitution payments from lawyers on whose behalf claims have been paid.

The Board prepares an annual budget that is presented for approval by the Supreme Court at one of the Court's May meetings. The Board's FY 2001 budget was recently presented to and approved by the Court. Based upon the \$17 per attorney per year assessment, the Board anticipates total income this coming year of approximately \$466,000. The Board has budgeted \$504,000 in total expenditures for next year, which will represent a slight increase from the amount spent this year. Based upon the information presently available to the Board concerning pending claims or known potential claims, \$450,000 has been budgeted for claims payment next year. \$54,000 has been budgeted for staff services, travel for one or two Board members to attend a national conference on client protection, and administrative supplies and enhancements to the Board's computer database. As has been consistently true throughout the Board's history, almost 90 percent of the Board's budget goes to paying claims.

Administrative Staff. Since the Board's inception in 1986, the Office of Lawyers Professional Responsibility has provided staff services to the Client Security Board. Edward Cleary is the Director of the Office of Lawyers Professional Responsibility and the Client Security Board. Assistant Directors Martin Cole and Timothy Burke, along with paralegal Patricia Jorgensen handle most daily operations for the Board, as they have for several years. Mr. Cole serves as a director-at-large of the National Client Protection Organization (NCPO), and is a member of the ABA's Advisory Commission on Client Protection Funds. In these positions, he taught sessions at national conferences on client protection this past year in Chicago and New Orleans for the NCPO and ABA. Board members Timothy Kuntz and Richard Diamond attended the NCPO conference in Chicago, and Mr. Diamond also attended an NCPO conference in Phoenix. Such activities allow the staff and Board to remain current with any trends or developments in the client protection field.

The Board maintains a computerized record-keeping system, which was fully operational for the entire year. Having worked with the system, staff have identified several minor areas where enhancements are necessary, especially to allow greater ability to answer queries from the Board, bar and public. Revisions have been started and should be completed in the next year.

Following each meeting, the Board issues a press release pursuant to the Board's policy. The Board posts its press releases on the Board's internet website² as well, in the hopes that the public better will be able to obtain information about the Board's activities. The site also contains copies of articles about the Board, as well as answers to frequently asked questions (FAQ), the Board's rules, claim form, staff directory and a copy of the latest annual report (*see* Appendix 5; A. 9-11, which

² The Client Security Board's internet address is: www.courts.state.mn.us/csb/csb.html.

is a copy of the part of the Board's internet website homepage). Following the completion of the Board's computerized database, the Board added to the website a list of attorneys against whom claims have been approved, similar to that in Appendix 2, which is updated regularly.

The Minnesota Attorney General provides legal services to the Client Security Board in enforcing its subrogation rights against attorneys on whose behalf the Board has paid claims, or against any third persons from whom payments may be legally obtained. Mr. Burke oversees the Attorney General's collection efforts on behalf of the Board. Assistant Attorney General James Crassweller and his staff provide outstanding representation for the Board. Mr. Crassweller began representation of the Board this past year, continuing a line of excellent attorneys assigned to the Board's work. The Board pays no attorney's fees for this representation, but is responsible for direct costs of collection efforts and litigation.

As noted in the highlights section, this past year saw considerable activity in the area of subrogation and restitution, particularly against third-party entities, such as banks that negotiated settlement checks over forged endorsements, or that were potentially negligent in overseeing accounts of attorneys known to have misused their trust accounts. Such claims have involved some difficult fact situations and aggressive presentation of defenses. The Attorney General's staff has had to spend considerably more time on these matters than in some previous years, but with remarkable success. The final amount anticipated this year is \$44,391.54. The Board has budgeted this coming year to recover \$35,000.

Also as a part of the collection process, the Board may forward matters to the Minnesota Collections Enterprise (MCE), an agency created to assist government agencies in their collection work. Although the Attorney General continues to

handle most matters for the Board that are to be contested, or that appear capable of prompt resolution, other matters are now referred to MCE to pursue.

Rules of the Minnesota Client Security Board. The Board's rules were last amended effective July 1, 1995, and underwent no changes in the past year. No changes presently are anticipated this coming year either. The Board's maximum payment per claim remains at \$100,000, with no limit on the aggregate amount payable on behalf of an attorney. Only one claim was approved for the maximum amount this past year. At its April 2000 meeting, the Board first discussed the possibility of seeking authority to raise the current cap amount. Such an increase will require a rule change, with a petition to the Court followed by a comment period. This issue will be reviewed and discussed by the Board in the coming year. No decision has been reached as yet, but maximum (preferably full) payment of claimant losses is always a goal for any client protection system.

Claims Procedure. Claims are initiated by submitting the claim to the Director's Office on forms approved by the Board. Claimants are provided the forms and a brochure to help explain the process. The claim form, and copies of the Board's rules are also available via the internet at the Board's website. The respondent attorney is provided an opportunity to respond in writing, although frequently no response is received. The Board also has access to all lawyer disciplinary files, from which considerable information is often obtained.

The rules provide that claimants are expected to pursue reasonably available civil remedies. In order to avoid hardship and provide prompt claim resolution and payment, the Board occasionally exercises its discretion by waiving this requirement when it is already known that the Attorney General will be pursuing litigation against the attorney under the Board's subrogation rights. One recurring

situation where direct claimant efforts are appropriate is when the dishonesty involves forged instruments that were honored by a financial institution.

In most cases, attorney disciplinary proceedings will have been completed before any Client Security payment is made. The Board generally relies upon findings made in related lawyer disciplinary action concerning misappropriation, or in related civil or criminal cases whenever possible.

If a claim is denied, the claimant is notified in writing of the Board's determination and reasoning. The claimant has the right to request reconsideration and a discretionary meeting with the Board, so that all claimants have a full opportunity to present the merits of their claim.

III. GOALS AND OBJECTIVES

Despite having to deal with a large number of issues this past year, the Board remains current with its workload. The Board anticipates facing several substantial claims this year. As noted, the maximum amount payable will be studied this year, and the Board's computer database will be upgraded. A new Chair and one new lawyer member will influence the Board's direction next year, but with a settled funding amount in place as the new fiscal year begins, and with fewer complex restitution issues on the horizon, the Board hopes to keep its attention on its core function of resolving claims promptly and paying victims of lawyer theft to the fullest possible amount.

Respectfully submitted,

Dated: July 24, 2000.



DANIEL L. BOWLES, CHAIR
MINNESOTA CLIENT SECURITY BOARD

Dated: July 31, 2000.

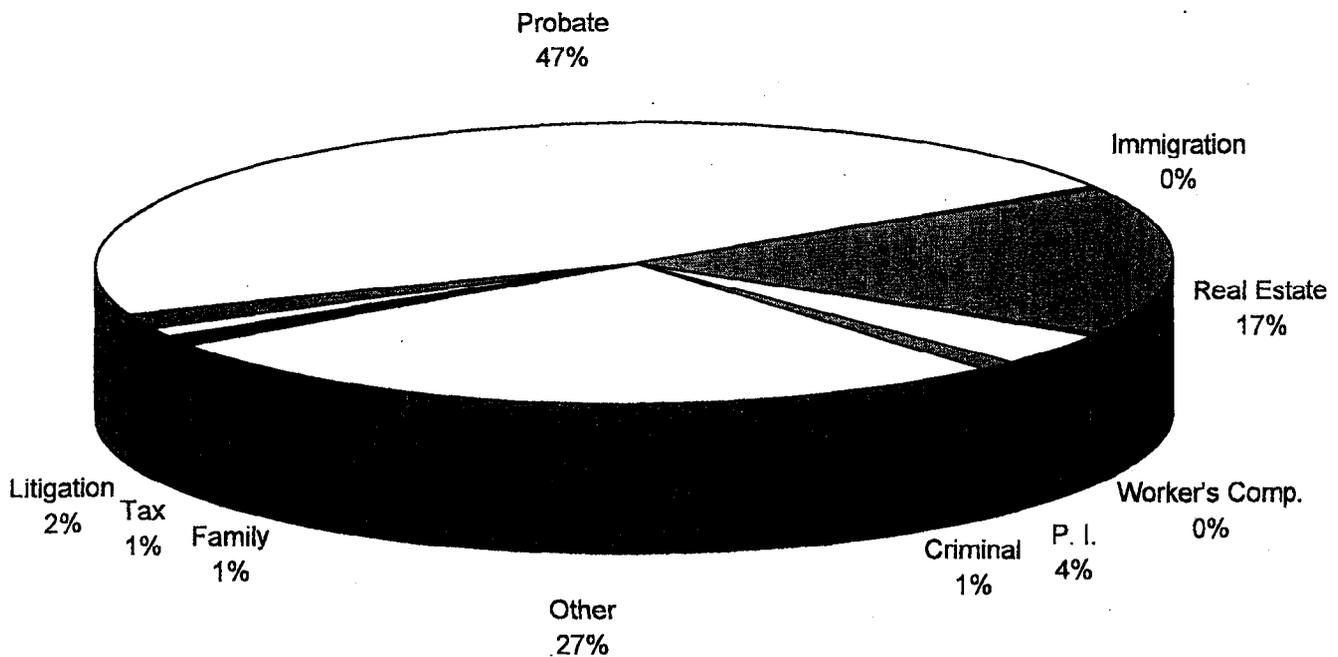


EDWARD J. CLEARY, DIRECTOR
MINNESOTA CLIENT SECURITY BOARD

**Awards of Reimbursement - July 1,1999
through June 30,2000**

**This table summarizes, by area of law, all claims for reimbursement
approved by the Board during fiscal year 2000.**

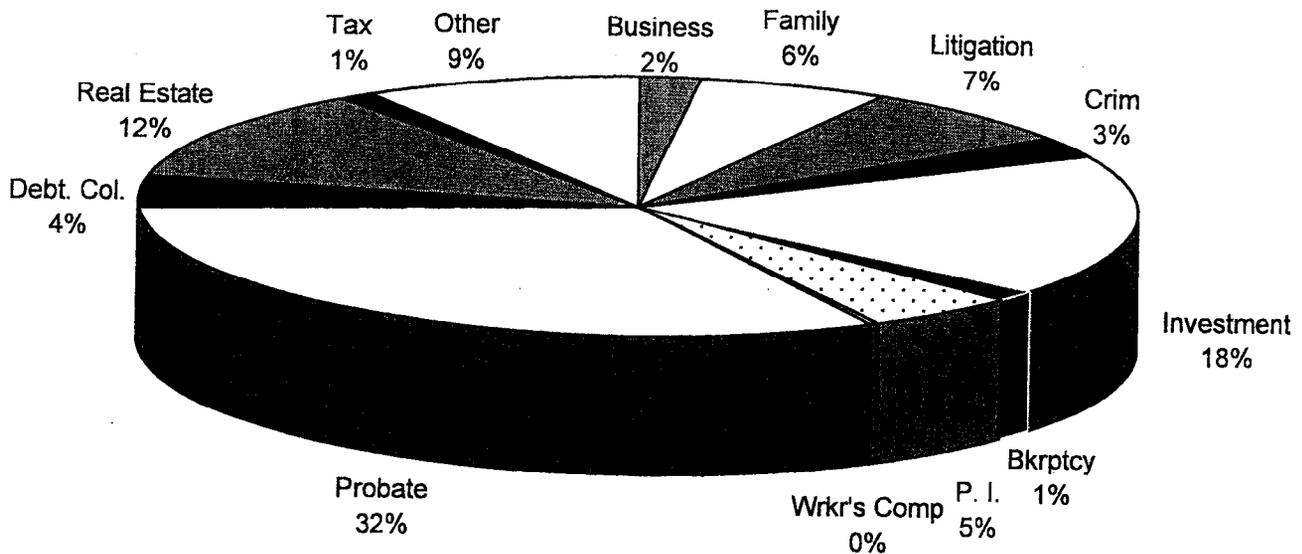
Area of Law	Number of Awards	Amount of Awards
Criminal	1	\$3,200.00
Family	4	\$2,814.77
Immigration	1	\$1,000.00
Litigation	2	\$4,807.28
Other	2	\$75,841.70
Personal Injury	3	\$10,410.05
Probate	3	\$131,629.69
Real Estate	2	\$48,483.18
Tax	2	\$3,000.00
Workers Comp	1	\$1,000.00
Total	21	\$282,186.67



**Awards of Reimbursement - July 1,1987
through June 30,2000**

**This table summarizes, by area of law, all claims for reimbursement
approved by the Board since 1987.**

Area of Law	Number of Awards	Amount of Awards
Bankruptcy	17	\$50,633.30
Business/Corporation	11	\$75,607.40
Criminal	13	\$102,429.69
Debt Collection	33	\$147,270.05
Family	41	\$226,017.30
Immigration	1	\$1,000.00
Investment	11	\$670,522.67
Litigation	31	\$276,953.88
Other	42	\$344,993.88
Personal Injury	19	\$193,490.83
Probate	45	1,216,470.17
Real Estate	27	\$450,589.61
Tax	9	\$41,112.28
Workers Comp	4	\$7,337.29
Total	304	\$3,804,428.35



CLAIMS AND AMOUNTS PER ATTORNEY

Attorney	Number of Claims Paid	Total of Claims Paid	Disciplinary Action	City of Practice
Anderson, Harold W. E.	2	\$39,258.97	Disbarred	Grand Forks
Andrew, John M.	2	\$100,000.00	Disbarred	Shoreview
Barta, Loren M.	2	\$3,947.93	Suspended	Prior Lake
Batdorf, Richard K.	1	\$50,000.00	Disbarred	Minneapolis
Benson, John T.	1	\$50,000.00	Disbarred	St. Paul
Bieter, Thomas J.	1	\$1,000.00	Disability	Duluth
Campbell, Dyan L.	4	\$2,814.77	Suspended	North St. Paul
Carpenter, Gregory A.	1	\$1,000.00	Suspended	Minneapolis
Chacon, Jeanne T.	1	\$700.00	Disbarred	Shakopee
Cohen, Sr., Edward M.	1	\$2,245.83	Disbarred	St. Louis Park
Danna, Anthony A.	3	\$81,625.00	Disbarred	St. Paul
Davis, Daniel A.	3	\$44,486.66	Disbarred	Edina
Douglas, Bruce C. Deceased	11	\$225,309.60	None	Edina
Dovolis, Helen A.	15	\$68,317.19	Disbarred	Minneapolis
Erickson, Bruce E.	2	\$1,995.00	Suspended	Winona
Feldman, John H.	2	\$12,954.00	Disbarred	Minneapolis
Flanagan, John J.	6	\$113,626.59	Disbarred	St. Paul
French, Rodney M.	6	\$4,062.50	Suspended	Minneapolis
Getty, Paris DonRay	5	\$24,278.00	Disbarred	St. Paul
Goldstein, Robert Mark	4	\$11,173.40	Disbarred	St. Paul
Graham, Timothy E.	3	\$6,257.98	Disbarred	Rochester
Grzybek, John E.	1	\$750.00	Disbarred	St. Paul

CLAIMS AND AMOUNTS PER ATTORNEY

Attorney	Number of Claims Paid	Total of Claims Paid	Disciplinary Action	City of Practice
Gurstel, Norman K.	33	\$147,270.05	Disbarred	Edina
Harp, Reynaud L.	2	\$3,702.00	Disbarred	St. Paul
Heikens, Steven G.	2	\$12,800.00	Suspended	Minneapolis
Heikkila, Neil D.	2	\$90,916.82	Disbarred	Hopkins
Hendricksen, Harald F.	2	\$17,875.00	Suspended	Glencoe
Henke, David E.	1	\$1,000.00	Suspended	Spring Lake Park
Hollender, R. Fred Deceased	1	\$2,227.74	None	Minneapolis
Hunter, James W.	5	\$21,900.00	Disbarred	Minneapolis
Isaacs, Clark F.	1	\$535.78	Disbarred	St. Paul
Johnson, Richard W.	2	\$9,362.00	Disbarred	Red Wing
Johnson, Ronald J.	1	\$7,196.71	Disbarred	Hopkins
Kinnunen, Steven J.	1	\$500.00	Suspended	Minneapolis
LaChapelle, Arthur W.	2	\$18,400.00	Disbarred	St. Paul
Ladd, William L.	13	\$49,542.60	Disbarred	Minneapolis
Larsen, Dean D.	1	\$40,000.00	Disbarred	Eden Prairie
Leino, Stanley J.	1	\$1,807.28	Suspended	Buffalo
Levenstein, Eli C.	1	\$368.00	Suspended	Minneapolis
Logan, Diana Smith	3	\$560.00	Suspended	Minneapolis
Maresh, Thomas F.	1	\$6,500.00	Disbarred	Eden Prairie
Marshall, Gary L.	7	\$24,170.00	Disbarred	Hoffman
McCarthy, Justin H.	2	\$58,679.24	Disbarred	Rochester
McGrath, F. Patrick	1	\$1,128.00	Suspended	St. Paul

CLAIMS AND AMOUNTS PER ATTORNEY

Attorney	Number of Claims Paid	Total of Claims Paid	Disciplinary Action	City of Practice
McNabb, Gerald	11	\$146,308.96	Disbarred	St. Paul
Merlin, Carol Sue	1	\$500.00	Suspended	Minneapolis
Moe, Carlton E.	1	\$89,325.52	Disbarred	West St. Paul
Morgeson, Sr., Dennis JohnWyant, Bruce P.	8	\$547,922.67	Disability	Edina
Mose, William G.	2	\$400.00	Suspended	Bloomington
Murphy, Gerald W.	9	\$4,980.99	Disbarred	Duluth
Olsen, Lawrence E.	1	\$50,000.00	Disbarred	Bloomington
Orlins, Peter I.	11	\$419,843.39	Disbarred	Richfield
Ostfield, Benjamin J.	3	\$15,297.72	Disbarred	Minneapolis
Ostroot, Timothy V.	1	\$1,200.00	Disbarred	Champlin
Palm, Dennis L.	2	\$4,080.00	Disability	St. Louis Park
Pang, Gary Y.	3	\$6,323.00	Disbarred	Minneapolis
Pearson, Kenneth R.	2	\$39,000.00	Disbarred	Golden Valley
Pegg, J. C.	1	\$2,500.00	Reprimanded	Owatonna
Ploetz, John W.	1	\$60,494.71	Disbarred	St Paul
Plowman, George E. Deceased	4	\$81,144.77	Disbarred	Prior Lake
Polt, Thomas M.	3	\$17,082.02	Disbarred	Eyota
Pucel, Cherylyn T.	1	\$3,500.00	Suspended	North St. Paul
Pyles, David A.	1	\$16,450.00	Suspended	Bloomington
Ramler, George C.	1	\$1,500.00	Disbarred	Chanhassen
Randall, Michael H.	2	\$4,708.00	Disbarred	Brooklyn Center
Rothstein, Morry N.	3	\$7,500.00	Disbarred	Minneapolis

CLAIMS AND AMOUNTS PER ATTORNEY

Attorney	Number of Claims Paid	Total of Claims Paid	Disciplinary Action	City of Practice
Ruttger III, Max J. Deceased	1	\$25,678.15	Disbarred	Brainerd
Sampson, Mark A.	20	\$404,742.04	Disbarred	Fridley
Scott, John O. Deceased	2	\$57,821.34	None	Perham
Seiler, Victor P. Deceased	1	\$2,810.77	None	Minneapolis
Sheffey, Ralph E.	1	\$5,000.00	Suspended	Rochester
Simonet, William B.	5	\$50,411.56	Disbarred	Stillwater
Simonson, Paul L.	1	\$2,360.23	Disbarred	Minneapolis
Singer, Michael G.	1	\$63,000.00	Suspended	Minnetonka
Skonnord, James T.	5	\$2,349.26	Suspended	St. Paul
Smith, Glenn L.	1	\$100,000.00	Disbarred	Edina
Soderberg, James W.	1	\$557.87	Suspended	Winona
Stockman, William L.	1	\$25,000.00	Disbarred	Duluth
Strid, Dennis W.	1	\$1,197.00	Suspended	Minneapolis
Sullivan, Kevin P. Deceased	1	\$200.00	Suspended	Elk River
Swerine, Brian A.	8	\$23,645.40	Disbarred	Minneapolis
Thompson, Joel R.	2	\$6,160.00	Suspended	Detroit Lakes
Ulstad, Bjorn Deceased	1	\$2,500.00	None	St. Paul
Vinitsky, Richard S.	2	\$20,000.00	Disability	Golden Valley
Walker Jr., Samuel	5	\$19,945.00	Disbarred	St. Paul
Weems, Mark T.	7	\$70,901.64	Disbarred	Shoreview
Wheat, Donald A.	3	\$37,841.70	Disbarred	Eagan
Total Number of Respondents: 88	304	\$3,804,428.35		

CLIENT SECURITY FUND FINANCIAL HISTORY

Fiscal Year	Contribution by Bar	Investment Income	Restitution	Number of Claims Paid	Amt. Paid to Claimants	Other Expenses	Balance Year End
1988	\$1,433,397	\$ 58,040	\$ 0	35	\$ 489,656	\$ 37,273	\$ 964,508
1989	93,318	79,049	0	21	236,016	24,068	876,791
1990	79,350	70,952	768	25	260,561	22,884	744,416
1991	137,851	66,264	39,249	23	235,316	28,905	723,559
1992	328,954	52,748	14,302	28	150,180	30,490	938,893
1993	353,560	49,156	12,104	16	200,681	33,170	1,119,862
1994	369,320	47,244	9,830	24	123,600	24,538	1,398,118
1995	349,424	85,075	37,075	14	62,421	25,471	1,781,800
1996	368,450	82,630	31,361	22	705,524	35,427	1,523,290
1997	375,730	94,547	23,797	12	103,073	27,207	1,887,084
1998	255,762	119,276	25,217	35	341,984	40,481	1,904,874
1999	325,207	118,078	200,416	42	413,231	35,575	2,099,769

A.7

Minnesota Client Security Board Members 1987-2000

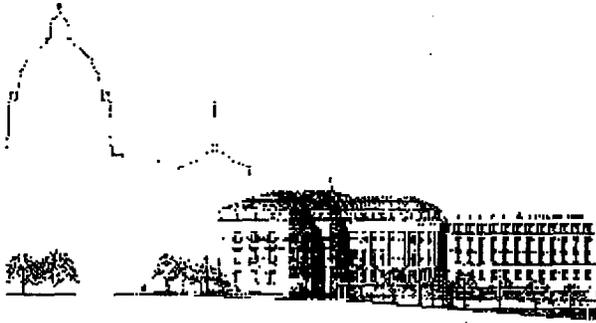
CHAIRS

Melvin I. Orenstein	Minneapolis	1987-1993
Nancy L. Vollertsen	Rochester	1993-1995
Bailey W. Blethen	Mankato	1995-1997
Kim Buechel Mesun	St. Paul	1997-1999
Daniel L. Bowles	Edina	1999-2000
Daniel L. Rust	Crookston	2000-

BOARD MEMBERS

*Sister Mary Madonna Ashton	St. Paul	1992-1998
Bailey W. Blethen	Mankato	1991-1997
Daniel L. Bowles	Edina	1994-2000
*Sandra Brown	Minnetonka	1990-1996
Kim Buechel Mesun	St. Paul	1993-1999
Richard I. Diamond	Minnetonka	1997-
Gilbert W. Harries	Duluth	1987-1991
*Jean L. King	St. Paul	1987-1992
Timothy J. Kuntz	South St. Paul	1996-
Earle F. Kyle IV	Minneapolis	1993-1996
*Beverly K. McKinnell	St. Paul	1996-
Melvin I. Orenstein	Minneapolis	1987-1993
*Constance S. Otis	St. Paul	1987-1990
*Judith A. Pinke	Minneapolis	1998-
Daniel L. Rust	Crookston	1995-
Warren R. Sagstuen	Minneapolis	2000-
Ronald B. Sieloff	St. Paul	1987-1994
James B. Vessey	Minneapolis	1987-1993
Nancy L. Vollertsen	Rochester	1987-1995
Margaret L. Westin	Minneapolis	1999-

*Public Members



Minnesota Client Security Board

MINNESOTA CLIENT SECURITY BOARD

What's New?

- [April 2000 Press Release Regarding Payment of Claims](#)
- [CSB Claims Paid Listed by Attorney](#)

The Minnesota Client Security Board

- [About the Minnesota Client Security Board and Client Security Fund](#)
- [Board Member and Staff Directory](#)

Filing a Claim with the Minnesota Client Security Board

- [Frequently Asked Questions \(including instructions for filing a claim and information regarding claim procedures\)](#)
- [Claim Form](#)

Rules Governing the Minnesota Client Security Board

- [Minnesota Client Security Board Rules](#)

Other Resources

- [Annual Report](#)
- [Index of articles concerning Minnesota Client Security Board Issues](#)



Minnesota Client Security Fund

Minnesota Client Security Board
25 Constitution Avenue
Suite 105
St. Paul, MN 55155-1500
(651) 296-3952
(Outstate) 1-800-657-3601
Fax: (651) 297-5801

What is the Client Security Fund?

The Client Security Fund is a fund established by the Minnesota Supreme Court to reimburse clients who suffer loss of money or other property from the dishonest conduct of their attorney. The Fund is a remedy of last resort for clients who cannot be repaid from other sources, such as from insurance or from the attorney involved. Claimants are expected to make reasonable efforts to collect from these other sources first.

Why was the Client Security Fund Established?

The legal profession depends upon the trust of clients. When a lawyer betrays that trust by taking client funds, it is important that the victims be fairly compensated.

How is the Fund Financed?

All active Minnesota lawyers pay for the Client Security Fund. None of the money in the Fund comes from clients' fees. No tax dollars are used.

Who Administers the Client Security Fund?

The Fund is administered by a Board appointed by the Minnesota Supreme Court. The Board has five lawyer members and two non-lawyer members. All serve without compensation as a public service. The Office of Lawyers Professional Responsibility provides staff services for the Board.

How Does the Client Security Board Operate and Make Decisions?

The Minnesota Supreme Court has adopted written rules for the Client Security Board. The Board follows these rules in its procedures and decisions. The Board is allowed a good deal of discretion in deciding what claims to pay and deny, and the amount of payment. You may view the Minnesota Client Security Board's Rules by clicking [here](#).

What Kinds of Losses are Covered?

A. 10

The Client Security Fund covers most situations in which lawyers have stolen clients' money or other property entrusted to them. The attorney in question must be a Minnesota lawyer, and must have served the client as an attorney, in a fiduciary capacity (as administrator, executor, trustee of an express trust, guardian, or conservator), or as an escrow agent arising from an attorney-client relationship. The maximum amount the Board may pay on a claim is \$100,000. Payment by the Board is a matter of grace, not of right.

What Kinds of Losses are Not Covered?

The Fund does not cover losses resulting from the malpractice or negligence of lawyers. The Board does not have the authority to discipline attorneys for misconduct, to resolve fee disputes, or to determine legal malpractice claims. Such matters should be reported to the Office of Lawyers Professional Responsibility or may be the subject of civil lawsuits.

What Happens When a Claim is Filed?

Each claim is reviewed to determine eligibility for payment. If a claim is denied, the claimant will be advised of the reasons for denial. The Board determines the merit of all claims, and the amount of any reimbursement. In most instances, claimants meet personally with someone from the Board's staff.

How is a Claim Filed?

A copy of the claim form may be viewed by clicking [here](#) and can be obtained by contacting:

Minnesota Client Security Board
25 Constitution Avenue, Suite 105
St. Paul, Minnesota 55155-1500
(651) 296-3952
Toll-free 1-800-657-3601
Fax (651) 297-5801
TTY users call MN Relay service
Toll-free at 1-800-627-3529